



AUDITOR - GENERAL
SOUTH AFRICA

The Accounting Officer
Waterberg District Municipality
Private Bag X 1018
Modimolle
0510

Date 29 November 2013

Reference: H vd Westhuizen

Dear Sir/Madam

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Waterberg District Municipality for the year ended 30 June 2013

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA)/ section 40(2)
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipalities annual report to be tabled.
4. Until the annual report is tabled as required by section [127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in

the hard copy that is provided to you. The official logo will be made available to you in electronic format.

6. Please notify the undersigned Business Executive / Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

A handwritten signature in black ink, appearing to read 'Hennie vd Westhuizen', written over a dotted line.

Senior Manager: Limpopo Province

Enquiries: Hennie vd Westhuizen

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REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE WATERBERG DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Waterberg District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act, 2012 (Act No. 5 of 2012) (Dora) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis of qualification

Property, plant and equipment /-roads infrastructure

6. Section 84(1)(f) of the Municipal Structures Act, 1998 (Act No 117 of 1998) state that a district municipality has the powers and functions for municipal roads. These roads form an integral part of the road transport system within the area under the control of a district municipality. During a transversal review on the completeness of the recording of roads in the province I was unable to obtain sufficient appropriate audit evidence that the municipality has properly accounted for all roads under its control as there were no systems and procedures in place to assess the rights and ownership thereof. I was unable to confirm the roads infrastructure by



alternative means. There was no disclosure to this effect in the financial statements, consequently, I was unable to determine the value of property, plant and equipment - roads infrastructure.

Contingent liability

7. Section 71 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires all municipalities to comply with collective agreements concluded by organised local government within its mandate on behalf of local government in the bargaining council established for municipalities. Contrary to this, the municipality did not implement the wage curve agreement which states that all employees shall be paid in accordance with the new wage rates within three years as per the agreement, which was concluded on 21 April 2010. If employees' job evaluations were not completed and the municipality may not be able to reliably measure the amount of the obligation, the municipality should have recognised a contingent liability for its obligation in terms of the wage curve agreement until such time as the job evaluations were completed. This was detected during a consistency review between provinces.

There were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all contingent liabilities were properly disclosed. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of contingent liabilities disclosed in financial statements.

Opinion

8. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Waterberg District Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA.

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of a decision taken by management to extend the deemed useful life of buildings.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

11. The supplementary information set out on pages ... to ... does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

15. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

16. Although no material findings concerning the usefulness and reliability of the performance information was identified in the annual performance report, I draw attention to the following matter below.

Achievement of planned targets

Of the total number of 213 targets planned for the year, 81 of targets were not achieved during the year under review. This represents 39% of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements

18. Material audit adjustments in the annual financial statements were identified during the audit, of which some were corrected by management and those that were not corrected have been reported on accordingly.

Asset management

19. The municipality did not record and report on road infrastructure assets as required by Section 84(1)(f) of the Municipal Structures Act.
20. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Internal control

21. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion and the findings on compliance with laws and regulations included in this report.

Leadership

22. Effective oversight was not exercised as accurate and complete financial statements were not prepared, and various instances of non-compliance with laws and regulations were identified.

Financial and performance management

23. Instances were identified of material misstatements in the financial statements that were not identified through the municipality's review.
24. The municipality was aware of the areas that are qualified in this report but did not appropriately act to resolve these issues in time.

Governance

26. Internal Audit and the audit committee did not adequately review the financial statements for adequacy, reliability and accuracy prior to submission for audit.

T. Ndlovu - General

Polokwane

30 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence